

**METHOD AND APPARATUS FOR FACILITATING  
SALES OF GOODS BY INDEPENDENT PARTIES**

**CROSS-REFERENCE TO RELATED APPLICATION**

This application is a continuation of U.S. Patent Application No. 09/427,958, filed October 27, 1999, the entire disclosure of which is hereby incorporated herein by reference.

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**FIELD OF THE INVENTION**

This invention relates generally to the field of electronic commerce and more particularly to a method and apparatus for using communication networks to price goods in electronic commerce applications.

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**BACKGROUND OF THE INVENTION**

The industrial age has given rise to a global economy of factories engaged in mass production of various goods. An enormous amount of commerce is transacted in the buying and selling of such goods. While some such goods lose their value with use, e.g., food products, many such goods retain a substantial portion of their value even after use or ownership by another. Such goods are referred to herein as "durable." A considerable amount of commerce is transacted in the buying and selling of durable goods, particularly used durable goods.

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Almost all durable goods are readily identifiable by a standard unique identification code ("ID code"), particularly those that are mass produced. In the

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case of computer software, music cassettes or compact discs, videocassettes and digital video discs, the ID code may be a human readable Universal Product Code ("UPC"), a thirteen digit ID code that readily identifies the good. In the case of books, magazines or other publications, the ID code may be a ten-digit International  
5 Standard Book Number ("ISBN"). Other items are more readily identified by a manufacturer or brand name and a model number, as for baseball cards and consumer electronics, e.g., a Sony® KV-3620 television. Some goods may be identified by more than one type of ID code.

Many durable and readily identifiable goods are fungible items that derive  
10 their value substantially from their common characteristics. For example, a single signed copy of Michael Jackson's album titled "Thriller" and recorded on a compact disc ("CD") derives much of its value because it is signed by the performance artist. Such a CD is unique and therefore is not a fungible good. In contrast, an unsigned copy of Michael Jackson's "Thriller" CD derives substantially all of its value because  
15 of the songs recorded thereon. Therefore, all such CD's have substantially the same value to consumers. Such CD's are therefore fungible.

Auctions provide one type of marketplace for selling goods. Used goods sold at auction are sold at prices set by interested buyers. An auctioneer facilitates sale transactions without the need to maintain goods in inventory. Auctions are  
20 particularly good for sellers to ensure a highest possible sale price, especially for unique, non-fungible items. However, determining and ensuring a fair price is difficult for buyers. Buyers must have a high degree of knowledge to determine whether a price for a certain good is fair.

Retail selling also provides a marketplace for sale of goods. Used goods sold at retail are sold at prices set by a seller. Retail selling is advantageous to the seller because it allows the seller to control the price of the good. However, it requires the seller to maintain a large inventory of goods, which is expensive and

5   disadvantageous. Competition, particularly for fungible goods, drives prices downwardly, which is advantageous to the buyer. The seller must have a high degree of knowledge to ensure that his price is competitive. In addition, a price for a good may be fair to the buyer when set by the seller, but may no longer be fair if market conditions change after the price is set and before the buyer purchases the  
10   good.

Electronic commerce, or Internet-based sales are common and have problems similar to retail. Numerous online auctions may be found. An example of such an online auction is held by eBay Inc. of San Jose, CA, at [www.ebay.com](http://www.ebay.com). Such auctions are better suited to unique goods but are also used for fungible  
15   goods. However, "bidding wars" between buyers can lead to high prices for such goods, whether new or used.

Retail type sales are also conducted at numerous online websites, such as [www.amazon.com](http://www.amazon.com). Online retail selling is also disadvantageous because it requires the seller to maintain a substantial inventory of goods. A reverse-auction system,  
20   where a seller may accept a price set by a buyer is provided on the worldwide web at [www.priceline.com](http://www.priceline.com) by priceline.com Inc. of Stamford, CT. U.S. Patent No. 5,797,127 to Walker et al. discloses a reverse auction method, apparatus and program for pricing, selling and exercising options to purchase airline tickets.

For electronic commerce applications, software-implemented shopping agents are well known. Using a shopping agent, a buyer can identify vendors and prices for a good. One type of shopping agent queries multiple vendor's websites to determine a best price or list of prices. For example Cendant Corp. of New York, NY is a retail  
5 seller of new books that provides access to such a shopping agent on the worldwide web at [www.books.com](http://www.books.com). Books.com uses a pricing agent ("Price Compare") to price items it sells and holds in its inventory. It uses the shopping agent to query several competitors and, if its price for a new book is not less than its competitors' prices, the pricing agent sets the price for its new book at less than the lowest competitor's price  
10 for the same new book. However, the seller still controls the price since it determines the method used by its pricing agent to set the price. In addition, the seller is required to maintain a substantial inventory of books.

Until now, there has been no acceptable way to facilitate sales of goods that ensures fair pricing while eliminating the need for inventory and minimizing pricing  
15 burdens on the buyer and the seller. In addition, there is no acceptable way to exploit the fungible nature of durable goods.

Accordingly, it is an object of the present invention to provide a method for facilitating pricing and sales of goods.

It is another object of the present invention to provide a method which does  
20 not require maintenance of an inventory of goods.

It is yet another object of the present invention to provide a method for pricing goods for sale by independent sellers.

It is a further object of the present invention to ensure lowest pricing of goods which exploits the fungible nature of goods.

It is yet a further object of the present invention to exploit the fungible nature of used durable goods to price goods.

5 It is yet a further object of the present invention to derive a price for an independent seller's good as a function of a third party's price for a similar good.

It is yet a further object of the present invention to provide an apparatus for facilitating sales and pricing of goods.

10 It is yet a further object of the present invention to provide a computer-implemented method for facilitating sales and pricing of goods.

### **SUMMARY OF THE INVENTION**

The invention provides a method for facilitating sales and pricing of goods by removing direct price control from the buyer and the seller. The invention automates  
15 the pricing process by deriving a sale price from a third party's index price using a method set by either the seller or an intermediary, referred to herein as the "marketeer". A current index price is determined by reference to a party other than the buyer or seller at a time of listing the good for sale or at a time of the sale. An appealing price for an item may be ensured by using a lowest price of a group of  
20 vendors for a comparable good as the index price and deriving a discounted sale price from the index price. The readily identifiable, fungible nature of durable goods is exploited by the sellers to identify used goods to the marketeer using a standard ID code. The good is never received for sale by the marketeer yet its characteristics

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are known. The marketer exploits the nature of such goods when determining the index price for a new good and when pricing a used good by deriving from the index price a sale price representing a discount to the buyer for a used good having essentially the same value as a new good.

5           A computer-implemented method for pricing an independent seller's good using a marketer controller is also provided. The marketer controller is capable of communicating with a buyer interface and a seller interface via a communications network, the marketer controller including a CPU and a memory operatively connected to the CPU. The marketer controller stores in its memory a program  
10   executable by the CPU for deriving a sale price of the good. The computer-implemented method comprises the steps of: receiving from the buyer via the communications network, an expression of interest in purchasing the good; querying a vendor's controller to determine the vendor's price of a comparable good; and  
15   executing the program to derive the sale price of the good using a predetermined method.

A marketer controller for processing data for pricing an independent seller's good in accordance with the present invention is provided.

**DESCRIPTION OF THE DRAWINGS**

20           Figure 1 is a flow diagram providing an example of a transaction in accordance with the present invention;

Figure 2 is a block diagram showing a marketer controller in accordance with the present invention; and

Figure 3 is a flow diagram providing an example of a computer-implemented method for pricing and facilitating sale of an independent seller's good in accordance with the present invention.

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**DETAILED DESCRIPTION**

The present invention provides a method and apparatus for facilitating sales between buyers and sellers and pricing goods for sale. A marketeer facilitates sales and pricing of the sellers' goods. In one embodiment, an index price is obtained from a third party at a time proximate to the time the seller registers the good with the marketeer as a good offered for sale by the seller. In another embodiment, the index price is obtained from a third party at a time proximate to the time the buyer wishes to buy the good. The seller thereby agrees, before the sale, to sell his good at a sale price determined by the marketeer using an index price as a reference. The seller may specify a method for deriving the sale price as a function of the index price.

15 Alternatively, the marketeer may specify the method. In alternate embodiments, the seller is presented with additional alternative options for pricing the seller's good, e.g., to specify a fixed price, or to specify a discount from a suggested retail price, i.e., a "list" or "cover" price instead of deriving a price from an index price. The marketeer may optionally store a database of suggested retail prices.

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Figure 1 is a flow diagram providing an example of a transaction in accordance with the present invention in which the index price is determined at or near the time of the sale. By way of example, the invention will be discussed below in the contexts of sale of a used paperback copy of Sue Grafton's book titled "A is for

Alibi." First, a seller identifies ("registers") his book for sale with the marketeer as shown at step 20. The marketeer does not take possession of the book for inventory purposes but rather registers the book as an item for sale. The marketeer presents the book in a marketplace as an item for sale by an undisclosed seller, as shown at  
5 step 22. If the method is computer-implemented, the marketplace may be a website and the book may be presented using images and/or text retrieved from an existing database - such information need not be provided by the seller. To a buyer, it may appear that the book is being offered for sale by the marketeer. In an alternate embodiment, the marketplace could be a conventional type storefront including a  
10 booth or kiosk presenting a printed catalog or brochure depicting goods, and/or product samples representing goods for sale.

The buyer may browse the marketplace and the goods presented for sale by the marketeer. When the buyer expresses an interest in a book, the marketeer determines an index price for the book, as shown at steps 24 and 26. In one  
15 embodiment, the index price is an independent third party's price for a comparable good, preferably a new book, if the seller is offering a used book. In an alternate embodiment, the index price is the lowest price among a group of independent third parties' prices for the comparable good. If the method is computer-implemented, the index price may be determined by querying a third party vendor's computer or web  
20 server 90 ("controller", as shown in Figure 2), e.g., using a standard product identification code such as a universal product code ("UPC") or International Standard Book Number ("ISBN"). For example, the marketeer could query amazon.com to determine that amazon.com is selling a new paperback copy of "A is

for Alibi" for \$10 and set the index price to \$10. Determining an index price proximate the time of sale to the buyer ensures a fair or lowest price for the good relative to other vendors' prices.

The marketeer then derives a sale price from the index price, as shown at step 28. In one embodiment, the method for deriving the price is determined by the marketeer. In another embodiment, the method for deriving the price is specified by the seller at the time the seller presents the good to the marketeer for sale. For example, the method may represent a discount from the index price, e.g., a 50% discount from the index price. In this example, the marketeer derives a sale price of \$5 for the seller's used book by applying a 50% discount to amazon.com's price of \$10 for a new paperback copy of "A is for Alibi". This ensures that the sale price is fair, in one embodiment, or the lowest price, in another embodiment. The marketeer then presents the book for sale to the buyer at the sale price. If the buyer decides to buy the book at the sale price, the marketeer facilitates the purchase/sale transaction between the buyer and the seller, as shown at step 30 and 32. The marketeer may facilitate the sale, for example, by identifying the buyer to the seller and the seller to the buyer and permitting the buyer and seller to complete the transaction.

Alternatively, the marketeer may facilitate the same by referring the parties to a third party intermediary acting as a clearinghouse for the transaction, or by acting as the clearinghouse itself. When the marketeer acts as the clearinghouse, it receives only sold goods and therefore has no inventory in the traditional sense. In the preferred embodiment, the marketeer is compensated for facilitating the transaction.

It should be appreciated that such a transaction may be implemented in a variety of ways. For example, all communications between the buyer, seller, marketer, and vendors could be made between humans by telephone. However, in the preferred embodiment, the inventive method is software-implemented in an electronic commerce application and all communications are transmitted electronically between computers communicating via a communications network.

In the preferred embodiment, the marketer provides an electronic marketplace, e.g., a website, wherein sellers of goods can register their goods with the marketer for sale. The website is accessible to buyers and sellers via a communications network, such as the Internet. Buyers and sellers can communicate with the marketer, or its marketer controller, e.g., a web server, using an interface and interface software. For example, the buyer and seller interface may each comprise a personal computer running standard web browser software and having network access capability, as is known in the art.

Figure 2 is a block diagram of a marketer controller 70 in accordance with the present invention. The marketer controller also includes a central processing unit ("CPU") 72, random access memory ("RAM") 74, read only memory ("ROM") 76, and a communications port ("COMM PORT") 78 connected to a network interface device 80 for communicating over a communications network. The marketer controller 70 also includes a storage memory including a storage device 82 for storing data including a first program for receiving identification code data from a seller to identify a good presented for sale by a seller, a second program for receiving data representing a buyer's interest in purchasing a good, a shopping

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agent program for identifying an index price, a pricing agent program for deriving a sale price and other data required to complete sale transactions, e.g. buyer's and sellers identity or contact information, information representing seller's selection of a method for deriving a price, etc.

5           The marketer controller is interconnected with or interconnectable to buyer and seller interfaces (i.e., computers running standard web browser software) via a communications network such that information can be transmitted back and forth between the buyer and seller interfaces and the marketer controller and such that the marketer controller can transmit information back and forth between third party  
10 vendors' computers (not shown).

Figure 3 is a block diagram showing flow of an example of a computer-implemented method for pricing and facilitating sale of an independent seller's good in which the index price is determined near a time of registering the good for sale. A seller first reaches the marketer's website, as shown at step 100. In effect, the  
15 seller is entering the marketer's virtual marketplace. A seller may do so by visiting the marketer's website using his buyer interface, i.e., personal computer, to access the marketer controller via the communications network. The seller then identifies to the marketer a good he wishes to sell, in effect, registering the good for sale with the marketer. To do so, the seller submits a standard identification code to the  
20 marketer, as shown at step 110. This may be achieved by the seller using his keyboard to enter the code into a field provided by the marketer's website, as is known in the art. The standard identification code may be a universal product code (UPC) or an International Standard Book Number (ISBN), for example. The use of a

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standard identification code identifies the good in a manner readily identifiable by the marketer and/or buyers. The marketer controller stores the identification code in its memory to register the good as an item for sale by the seller, as shown at step 120. The marketer controller may also store in its memory data provided by the  
5 seller to identify the seller as the owner of the good.

In accordance with the method, the seller does not specify a price but rather specifies a method for determining a sale price from an index price, as shown at step 130. As discussed above, the method could include a discount from a manufacturer's list price. In the preferred embodiment, the seller specifies a method  
10 including a discount from a price of a comparable new good by a certain percentage.

This may be achieved, for example, by the seller's selection of an option from a menu presented by the marketer, e.g., by selecting a button or check-box using his mouse, as is well known in the art. For example, the marketer may present a menu of options for a 70% discount from a manufacturer's suggested retail price, a 70%  
15 discount from a price for a comparable new good, a 50% discount from a manufacturer's suggested retail price, or a 50% discount from a price for a comparable new good. The marketer controller also stores in its memory data indicating the method specified by the seller for pricing the good, as shown at step 140. In one embodiment, the seller is also presented with an option for specifying a  
20 fixed price for the good.

The marketer determines an index price for the good, as shown at step 150. In the preferred embodiment, determination of the index price is performed by the marketer controller. To do so, the marketer controller queries multiple third party

vendors of comparable goods to determine their respective prices and to equate the index price to the lowest price of a group of third party vendors for a new good similar to the used good offered for sale by the seller. The querying step is performed by a shopping agent program stored in the memory of the marketer controller. It is advantageous to use a standard product identification code, such as the UPC, to perform the query.

The marketer then derives a sale price of the good from the index price using the method specified by the seller, as shown at step 160. This is performed by a pricing agent program stored in the memory of the marketer controller.

Preferably, the method includes a discount of the index price by approximately fifty percent to determine the sale price of the seller's good. In one embodiment, the seller is presented with the sale price and asked to confirm his desire to offer the good for sale at the sale price. After the marketer controller has derived the sale price, it stores in its memory the sale price of the good.

At this point, the good is registered with the marketer for sale by the seller. The marketer has not taken possession of the good. After a period of time, a buyer enters the marketer's marketplace by reaching the marketer's website, as shown at step 170, using his personal computer to communicate with the marketer controller via the communications network. The buyer may browse the marketer's website to shop for a good. Presentation of electronic storefronts, including browsing and searching abilities is well known in the art. For example, books, music, and videos may be categorized by content or genre. Alternatively, for example, a buyer interested in a particular book may search by subject, author or title, and view

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an image of the cover of the book, read a description or review of the book, etc. In another embodiment, a buyer could search for an item using its standard unique ID code. Any method of categorizing, cataloging or searching may be used that enables a buyer or potential buyer to find a good for which he is looking or in which  
5 he may be interested.

If the buyer is interested in the possibility of purchasing a good, the buyer expresses interest in buying the good, as shown at step 180. The buyer may do so using any suitable method, as are well known in the art. For example, a buyer may use his mouse to select a button or click a checkbox displayed on a web page and  
10 appearing on his video monitor.

The marketer then presents the good to the buyer for sale at the sale price, as shown at step 190. This may be achieved by transmitting to the buyer data for displaying the sale price and a description of the good on the video monitor of the buyer's personal computer.

15 If the buyer decides to buy the good at the sale price, as shown at step 200, he may indicate his intent to do so in a manner similar to that described above with reference to expression of his interest in purchasing the good. The marketer then facilitates the sale transaction between the buyer and the seller, as shown at step 210. This may be achieved in a variety of ways. For example, the marketer may  
20 refer the parties to an intermediary clearinghouse or escrow agent or may itself act as the intermediary. In the preferred embodiment, the buyer transmits identification information to the marketer controller which the marketer controller stores in its

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memory and the marketer controller then identifies the seller to the buyer and the buyer to the seller so that they may complete the sale transaction.

This arrangement works particularly well for readily identifiable, fungible, durable goods which have been pre-owned or used since the goods are readily  
5 identified by both the buyer and the seller, all goods offer similar value to the consumer, and the fact that the good has been used does not significantly deplete the value of the good to the consumer.

In this manner, fair prices are ensured to buyers and sellers by allowing a price to be set as a function of an independent, third party vendor's price.

10 Advantageously, the marketer is not required to maintain an expensive inventory of goods, buyers do not have to shop tirelessly to get good values, and sellers don't have to monitor prices of similar goods. Additionally, in one embodiment, the buyer is ensured a lowest price for a good since the sale price is set using the seller-determined method at a discount from the lowest price of a seller or group of sellers  
15 of a comparable new good at the time of the sale, particularly when the index price is for a new good and the sale price is for a used good.

In one embodiment, goods in addition to those listed or registered for sale by sellers at the marketer's website are presented by the marketer for browsing by a buyer. Information concerning such additional goods may be retrieved from a  
20 database accessible to the marketer controller. In one embodiment, the marketer refers the buyer to a third party vendor if the buyer wishes to purchase the good and the good sought by the buyer is not listed for sale with the marketer, e.g., by presenting a link to the vendor's website. In another embodiment, the seller is

presented with opportunities to select a different pricing option and to thereby change the sale price or to remove the good from the marketeer's list of registered goods after registering the good for sale.

5 Having thus described particular embodiments of the invention, various alterations, modifications, and improvements will readily occur to those skilled in the art. Such alterations, modifications and improvements as are made obvious by this disclosure are intended to be part of this description though not expressly stated herein, and are intended to be within the spirit and scope of the invention.

10 Accordingly, the foregoing description is by way of example only, and not limiting. The invention is limited only as defined in the following claims and equivalents thereto.